



February 19, 2026

# FY26 Mid-Year Update



# Fiscal Year 2026 Organizational Priorities

## Grow Fiber Division

### Major construction

Complete construction in Phase II areas, installing 700 miles of new fiber. Begin final phase of construction.

### Customer growth

Make fiber available to 19,000 new customers. Add 10,560 new residential fiber customers.

## Initiate Replacement of Customer Information System

### Begin implementation of a new software system to replace the Customer Information System (CIS).

Replacement of KUB's 25-year-old CIS system is needed for continued functionality and improved customer experience through enhanced services.

This year focuses on selecting a product and planning for the implementation of the new solution, which will impact processes and procedures throughout KUB.

## Prepare for a Fast-Paced Future

### Strategic, cross-functional analysis and planning to position KUB for long-term success.

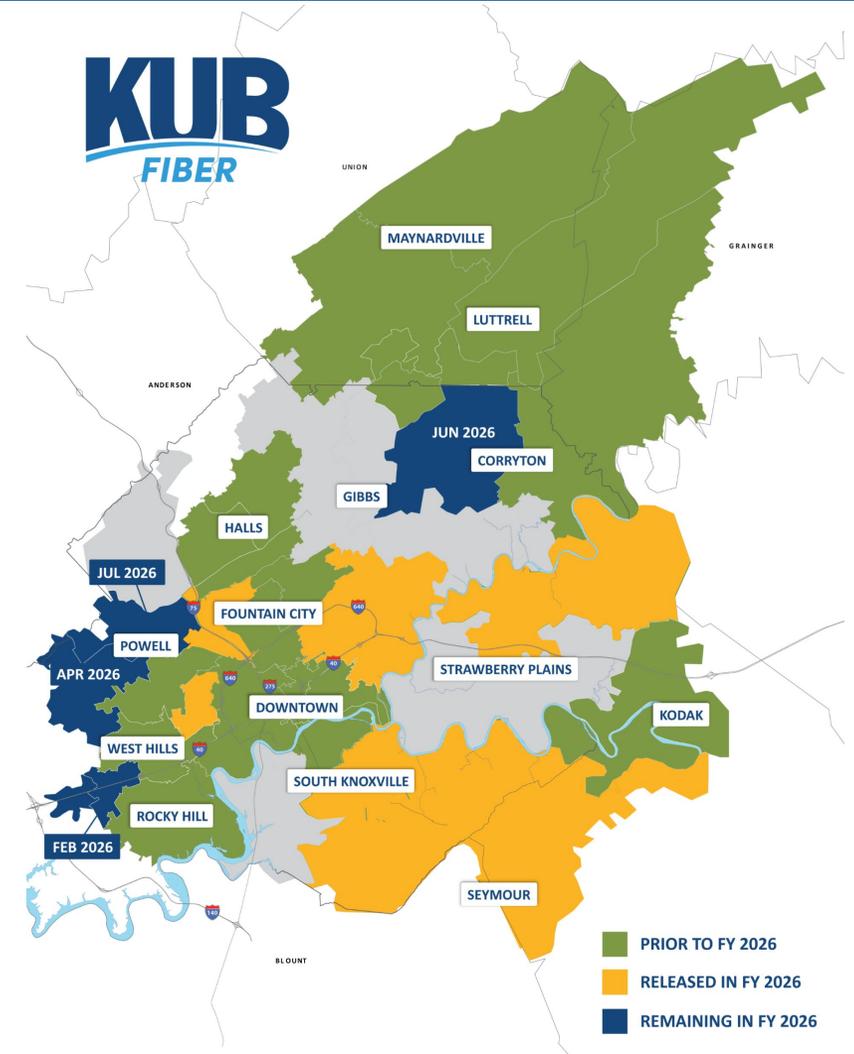
The business environment in which KUB operates is changing rapidly, and KUB needs to have strong plans in place to deal with the external factors which may impact us in the years to come.

Leadership teams will develop and update plans to address the internal and external factors likely to impact KUB over the next several years. Focus areas include utility systems, staffing, facilities, and financial flexibility/efficiency.

# FY26 Organizational Priorities

## *Grow Fiber Division*

- Phase II construction successfully completed
  - 340 miles of new fiber constructed, bringing total to over 3,300 miles
- Service available to 27,469 new customers
- Added 7,376 new residential customers
- 660 students in 433 households enrolled in ConnectED



# FY26 Organizational Priorities

## *Replace Customer Information System (CIS)*

- Project replaces nearly 25-year-old CIS
- New system will impact processes and procedures throughout KUB and improve customer experience
- Team evaluated 13 bids and hosted demonstrations
- Vendor contract negotiations underway



# FY26 Organizational Priorities

## *Prepare for a Fast-Paced Future*

### Energy & Water Systems

Developed frameworks for increasing agility of energy & water systems to meet evolving community needs while remaining safe, reliable, and affordable.

### Facilities

Executed plan to accommodate Fiber Division growth (Casey Drive) and initiated feasibility studies for greater utilization of existing KUB properties.

### Workforce

Established career progression and recruitment frameworks for hard-to-fill and other critical positions, including leadership development pathways and robust partnerships with education partners, including KCS 865 Academies.

### Financial Flexibility

Identified specific options for absorbing unexpected financial challenges within existing budgets.



# FY26 Mid-Year Organizational Highlights

---

Strong customer growth

37 million minutes of electric service interruption avoided since 2020

\$67M water filters project near completion

Successful MBW emergency response

Eastbridge natural gas loop completed

Record electric system peak

Eight consecutive days of 100,000 dth+ gas sales

Record low for sanitary sewer overflows in 2025

5,300 volunteer hours in 2025

# FY26 Mid-Year Financial Highlights

---

- \$94.7M in earnings through December
- Sales margins \$13.8M over budget
- Non-energy expenses \$10.8M under budget
  - O&M \$13M under budget
  - PILOTs/Debt service \$4.8M under budget
  - Capital \$10M over budget
- Anticipating need for additional appropriations for electric and wastewater
- Solid cash position for all divisions
- \$45M in new bonds sold at lower-than-budgeted rates
- Strong pension and OPEB investment returns in 2025

# FY26 Budget Expense Down \$7.5M

	Electric	Gas	Water	Wastewater	Fiber	Total
Purchased Energy/COGS	(\$17,241)	\$13,535	\$0	\$0	\$381	(\$3,325)
O&M	\$5,950	\$3,040	\$2,047	\$2,159	(\$174)	\$13,022
Capital	(\$4,720)	\$386	(\$1,787)	(\$4,126)	\$239	(\$10,008)
Debt Service	\$1,160	(\$45)	\$303	(\$16)	\$389	\$1,791
Loan to Fiber	\$3,000	\$0	\$0	\$0	\$0	\$3,000
Taxes & Equivalents	(\$26)	\$1,789	\$1,163	\$32	\$27	\$2,985
Budget Variance	(\$11,877)	\$18,705	\$1,726	(\$1,951)	\$862	\$7,465

\$ in 000's

( ) = Over Budget

# FY26 Budget Revenue Up \$26.3M

	Electric	Gas	Water	Wastewater	Fiber	Total
Sales Revenue	\$23,152	(\$6,951)	(\$529)	\$413	\$1,052	\$17,137
Other Revenue	\$5,012	\$155	\$3,013	\$663	\$379	\$9,222
Increase (Decrease)	\$28,164	(\$6,796)	\$2,484	\$1,076	\$1,431	\$26,359

\$ in 000's

( ) = Under Budget

# Positive Cash Impact of \$33.8M

	Electric	Gas	Water	Wastewater	Fiber	Total
Budget Revenue Variance	\$28,164	(\$6,796)	\$2,484	\$1,076	\$1,431	\$26,359
Budget Expense Variance	(\$11,877)	\$18,705	\$1,726	(\$1,951)	\$862	\$7,465
Increase (Decrease)	\$16,287	\$11,909	\$4,210	(\$875)	\$2,293	\$33,824

\$ in 000's    ( ) = Less Cash

# FY26 Financial Metrics Forecast

Metric	Target	Electric	Gas	Water	Wastewater	Fiber
O&M	Budget or Less	✓	✓	✓	✓	X
Cash Generated from Operations	Budget or Greater	✓	✓	✓	✓	✓
Debt Service Coverage	Financial Plan Target or Greater	✓	✓	✓	✓	---

# FY26 Organizational Metrics Forecast

Metric	Metric Component Performance				
Safety	✓				
Electric Reliability	✓	✓			
Century II	✓	X	✓	✓	✓
Call Center Performance	✓				
Fiber Service	✓	X			



February 19, 2026

# Bond Sale Results



# \$45M of New Bonds Sold

- Bonds fund electric and water capital improvements
- Sold competitively on January 14, 2026
- Bonds mature over 30 years
- Sale generated \$45.4M, reflecting premiums and issuance costs
- Seven bidders per issue
- Rates lower than budgeted
- High-quality bond ratings affirmed

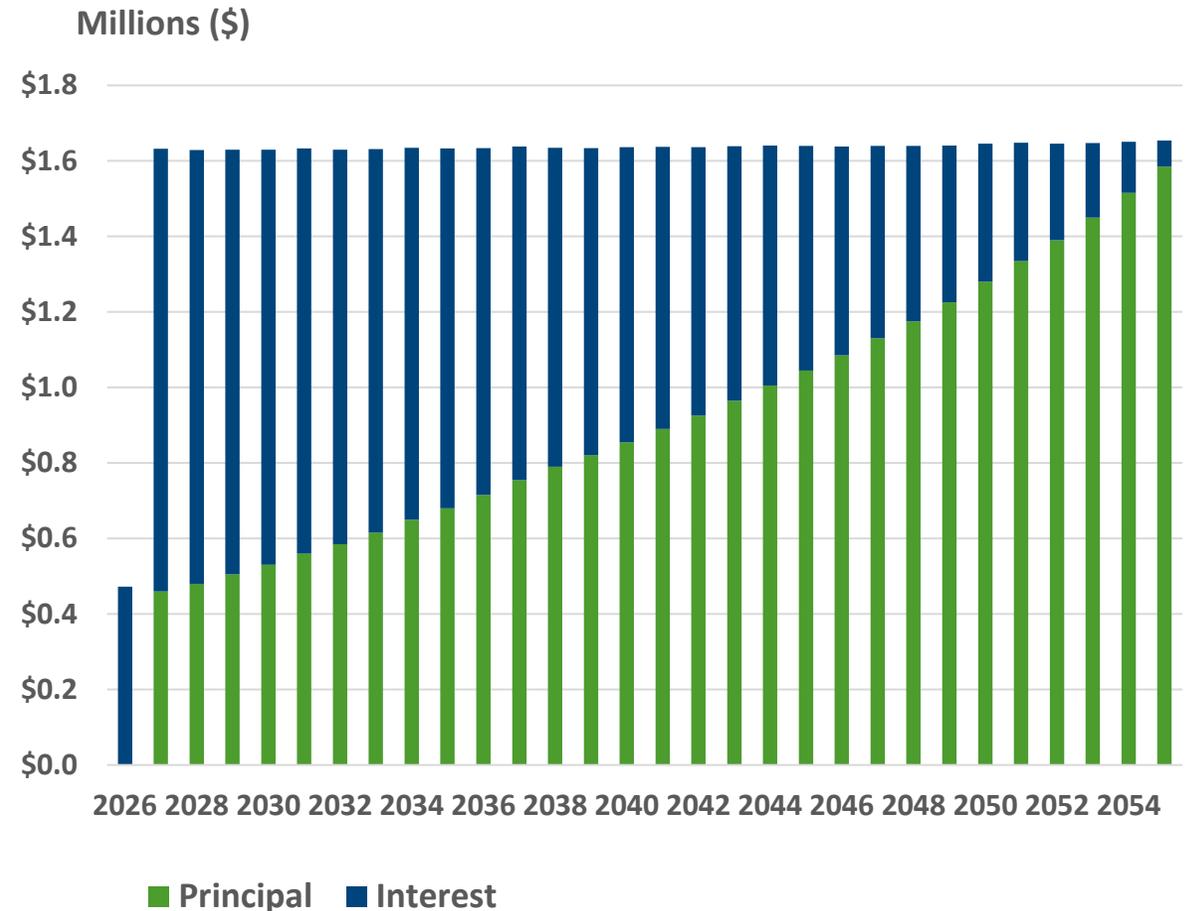
# Bids on \$27M Electric Bonds

Bidder	True Interest Cost (%)
<b>Robert W. Baird &amp; Co.</b>	<b>4.110</b>
Hilltop Securities	4.174
Raymond James & Associates	4.197
TD Financial Products LLC	4.238
Mesirow Financial Inc.	4.267
KeyBanc Capital Markets	4.288
J.P. Morgan Securities LLC	4.414

# Electric New Debt Issue Profile

<b>New Bonds</b>	<b>\$27,000,000</b>
<b>Interest Cost</b>	<b>\$20,977,000</b>
<b>New Debt Service</b>	<b>\$47,977,000</b>

- Bonds fully mature in 2055
- Level payback structure
- Callable in 2033
- Long-term savings \$2.3M



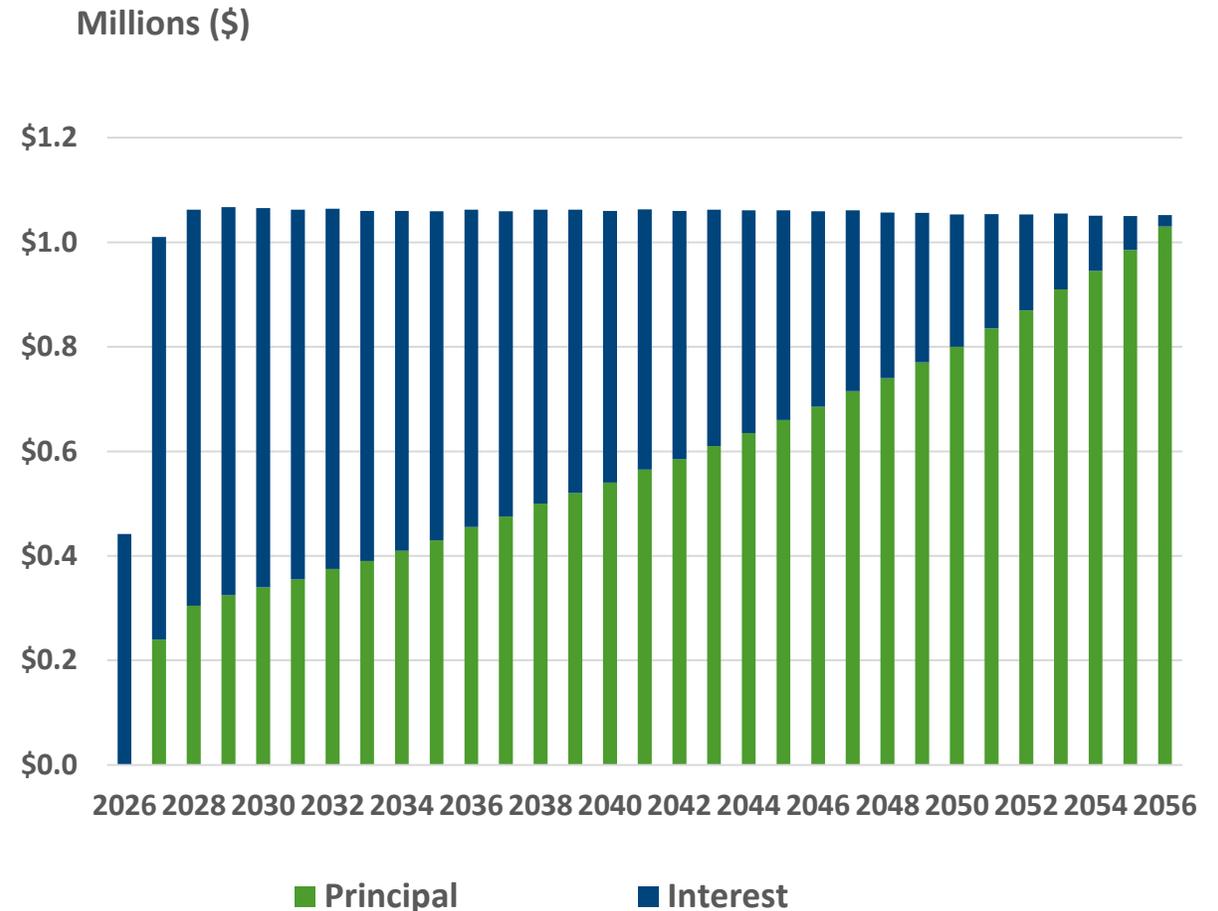
# Bids on \$18M Water Bonds

Bidder	True Interest Cost (%)
<b>Robert W. Baird &amp; Co.</b>	<b>4.109</b>
TD Financial Products LLC	4.150
Hilltop Securities	4.163
Raymond James & Associates	4.184
Mesirow Financial Inc.	4.195
FHN Financial Capital Markets	4.205
J.P. Morgan Securities LLC	4.259

# Water New Debt Issue Profile

<b>New Bonds</b>	<b>\$18,000,000</b>
<b>Interest Cost</b>	<b>\$14,164,000</b>
<b>New Debt Service</b>	<b>\$32,164,000</b>

- Bonds fully mature in 2056
- Level payback structure
- Callable in 2033
- Long-term savings \$1.2M



# Professional Fees for New Bonds

<b>Cost</b>	<b>Professional Firm</b>	<b>Fee</b>
Financial Advisor	Cumberland Securities	\$73,250
Bond Counsel	Bass, Berry & Sims	\$54,100
Rating Agencies	Moody's/Standard & Poor's	\$122,410
Paying Agent	Regions Bank	\$3,000
		<hr/>
		<b>\$252,760</b>
Other Costs (POS, OS, Advertising, Misc.)		\$26,990
		<hr/>
		<b>\$279,750</b>

# FY26 Outstanding Bonds

	Electric	Gas	Water	Wastewater	Total
<b>Beginning Balance</b>	<b>\$483.0M</b>	<b>\$64.8M</b>	<b>\$208.4M</b>	<b>\$438.0M</b>	<b>\$1,194.2M</b>
Additions	\$27.0M	---	\$18.0M	---	\$45.0M
Retirements	(\$16.4M)	(\$6.6M)	(\$8.7M)	(\$14.8M)	(\$46.5M)
<b>Ending Balance</b>	<b>\$493.6M</b>	<b>\$58.2M</b>	<b>\$217.7M</b>	<b>\$423.2M</b>	<b>\$1,192.7M</b>



February 19, 2026

# Community Advisory Panel



# 2025 Discussion Topics

- Customer Information System
- Electric strategy and system resiliency
- Economic development
- Fats, Oils, and Grease Program
  - Included a tour of Kuwahee Wastewater Treatment Plant
- KUB Fiber



# 2026 Community Advisory Panel Members

## Returning Members

- **Cheryl Ball** – City of Knoxville
- **Misty Goodwin** – Community Action Committee (CAC)
- **Laura Johns** – Dow Chemical
- **Claudia Mata** – Centro Hispano
- **Amy Nolan** – Knoxville Chamber
- **Dr. John Nolt** – Sierra Club
- **Brian Strutz** – Owner, A Dopo Pizza
- **Janet Testerman** – Young-Williams Animal Center

- **Yassin Terou** – Owner, Yassin’s Falafel House
- **Wes Willoughby** – University of Tennessee
- **Keira Wyatt** – C.O.N.N.E.C.T. Ministries

## New Members

- **Nancy Friedrich** – Community volunteer
- **Melissa Hinten** – Trees Knoxville
- **Vincent Jones, Jr.** – Pastor

# 2026 Panel Meetings

- Panel will meet quarterly:
  - March 5
  - June 4
  - September 3
  - December 3
- All meetings are held at 3 p.m., typically at KUB's Hoskins Operations Center
  - 4505 Middlebrook Pike
- Meetings are open to the public and recorded

**KUUB**

***KNOXVILLE***  
**UTILITIES BOARD**